



SilverCrest
METALS

Task Force for Climate-Related Financial Disclosures

2022 Report

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Introduction

As climate change and, more specifically, how corporations manage the impacts of climate change, garnered more mainstream attention in 2021, the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations also experienced a major boost in adoption as the go-to standard for climate reporting. The impacts of climate change are increasing in severity and becoming more widely felt. This has led to unanticipated losses for companies, their shareholders and the communities in which they operate. TCFD provides an important framework for companies to identify, measure and transparently disclose climate-related risks with key stakeholders and partners. TCFD also provides a structured manner to discuss ways to mitigate identified physical and transition climate risks and to identify, and potentially execute on, the opportunities presented.

In 2021, we embarked on our own TCFD journey to gain a better understanding of the climate risk landscape facing SilverCrest Metals Inc. (“the Company”, or “SilverCrest”). The insights from that process have culminated in this inaugural TCFD report. What started out as an exercise in understanding climate-related risks for the Company turned out to be a valuable learning process and a catalyst for discussions with our team and local partners about how we view climate change on a much broader scale. We are encouraged by our findings in the early stages of our TCFD journey and the ways in which we can continue to learn and effectively allocate resources to make improvements. We believe it is important to be transparent about the climate risks faced by the Company and the local communities, and the ways we manage them. We intend for these climate disclosures to serve as a tool for progress and improvement, while being a record of our advancements in climate performance.



Governance

Board Level

The Board of Directors (“the Board”) established SilverCrest’s Safety, Environmental and Social Sustainability (“SESS”) Committee in May 2019 to govern the corporate performance regarding Environmental, Social and other Sustainability matters. The Committee is responsible for overseeing the identification and management of risks and opportunities relating to environmental, social, safety and climate factors that have an impact on the Company and stakeholders. The SESS committee formally meets and reports to the Board quarterly, and more frequently when appropriate. A charter outlines the SESS Committee’s mandate and responsibilities and is published on the Company’s website. Further information about the Board governance structure, committees, and members are described in the Company’s 2021 Annual Information Form dated March 23, 2022.

Management Level

At the Management level, we have established a new internal Environmental, Social and Governance (ESG) structure, extending from corporate headquarters to the operational team in Mexico. This governance structure ensures that physical and transition climate risks are tracked, understood, discussed and addressed at all levels and geographies of the Company, including the Board.

Climate risk and climate change are specifically addressed via the “Business Resilience” pillar of the ESG Strategy; however, given the topic’s relevance, it is regularly reviewed and discussed in senior management meetings. Figure 1 explains how climate, broader community concerns, and other ESG-related issues are addressed within the Company.

In 2020, discussion and investigation of decarbonization strategies and tactics were explored. The team gained an understanding of the carbon implications of investing in a new power line, comparing it to other sources of power to reduce greenhouse gas emissions. Decarbonization alternatives are consistently addressed at the Board and senior management levels.

In the fall of 2021, the SESS and SilverCrest senior management took several training courses on climate risk, including an introductory session on TCFD that covered the details of physical and transition risk and disclosure requirements. In this session, a third-party climate change subject matter expert shared results from the physical climate risk assessment and introduced the process of transition-risk analysis. The SESS committee and senior management later participated in a training workshop on climate-scenario analysis in December 2021. In this session, three climate scenarios were introduced (Representative Concentration Pathway (RCP 8.5, 4.5, 2.6)) to align with the physical climate risk assessment.

In 2022, a new process for carbon data collection has been initiated to ensure quality carbon emissions tracking. An ESG and climate data audit was conducted in early 2022 and an internal system is currently being developed to ensure timely and accurate data collection. This involves the executive management, head office team leads and site-level ownership (as per the ESG governance structure).

ESG Governance Structure

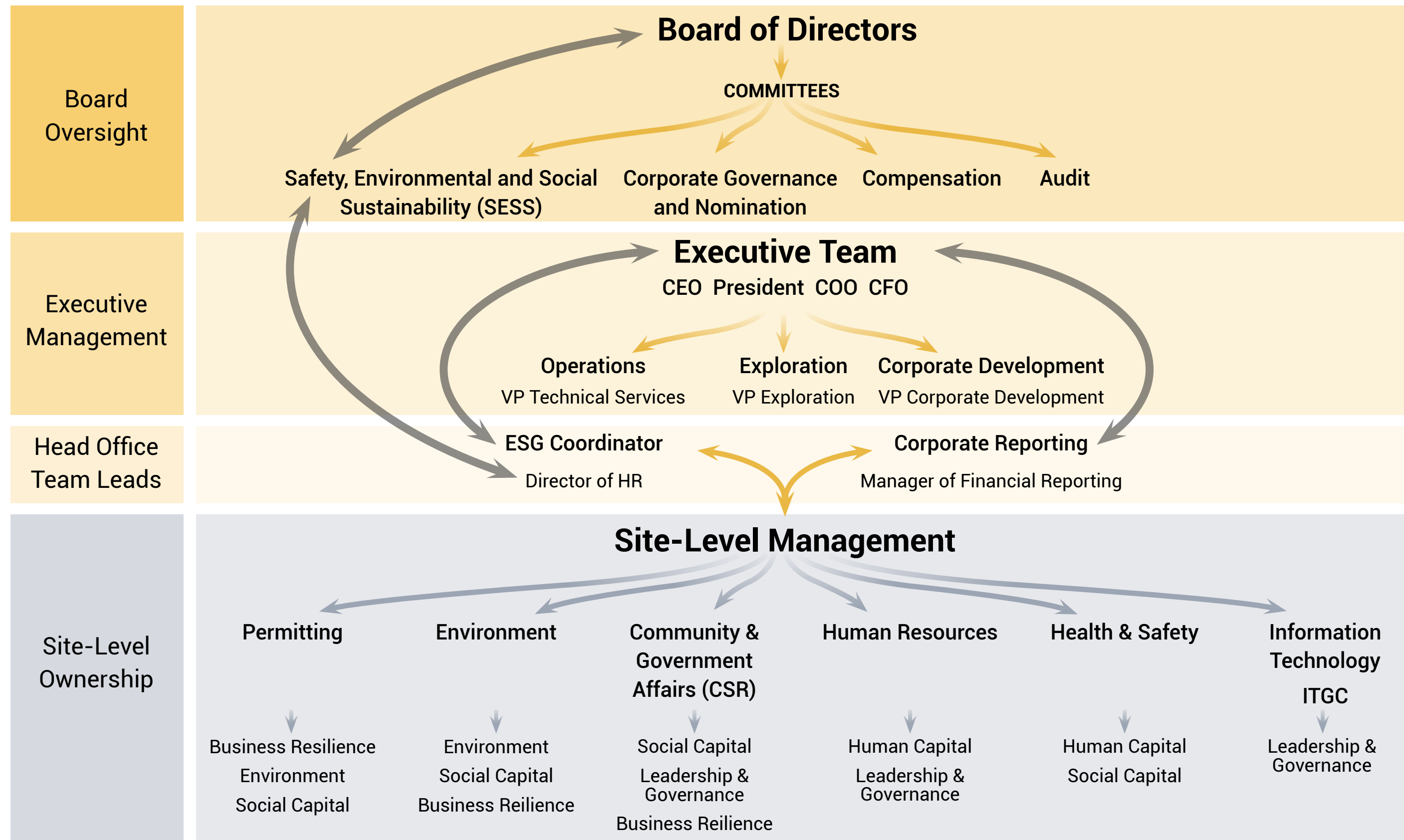


Figure 1

See Appendix A for details on the SilverCrest ESG Strategy Framework

Strategy and Risk Management

The material impacts of climate change are being felt all around the world. We recognize that the long-term business resilience of a company is impacted by the ways in which we do, and do not, react to the risks and opportunities associated with climate change. At SilverCrest, we believe these opportunities can be best capitalized upon once we have a thorough understanding of the changing regulatory, operating, environmental and economic landscapes that impact our business and the communities in which we operate. Therefore, understanding the full array of climate- and stakeholder-related risks that are material to our business will be crucial to strategic decision making.

To ensure that climate risk is sufficiently integrated into business decisions, physical and transition climate risks are now integrated into SilverCrest's Enterprise Risk Management (ERM) system. We review these risks on a quarterly basis.

This document serves as our first TCFD-aligned disclosure and aims to identify and understand climate-related risks and opportunities relevant to our business and to the communities in which we operate.

As part of the construction of this TCFD-aligned report, SilverCrest has worked with external consultants to conduct physical and transition climate-risk assessments, in line with the recommendations of the TCFD. The assessments have helped us to understand the potential human and financial impacts of

these risks, providing insight for the Company to develop strategies to manage the results of the identified risks and opportunities. Both types of climate-risk assessments factored in various potential climate scenarios over different time horizons.

To ensure the resilience of our mitigation strategies, we will continue to monitor our dynamic operating environment for novel risks or opportunities, and update our corporate risk register, disclosures and stakeholder engagement accordingly.

Upon completing our initial climate-risk assessments in 2021, we realized that many of the physical risks identified will have a much more material impact for the communities proximal to our site than for the Company itself. With this understanding, we are currently investing in the climate resilience of both the Company and its surrounding community with the intention to expand the scope of these community investments in the future. These investments are greatly focused on water stewardship, as we understand that water is a critical issue to be managed in our areas of operation in northern Mexico, and our initial research shows that water stress will grow as a climate risk under all future climate scenarios. In Figures 2 and 3, we identify physical and transition risks facing both SilverCrest and the local communities as we currently understand them.

Physical Risks and Opportunities

Physical risks are climate-related risks that result in the disruption of operations or damage to assets. Physical risks can be further divided into acute risks (i.e. extreme weather events) and chronic risks (i.e. changing climate trends). To better understand our physical-risk exposure, we conducted a physical-risk assessment on our key asset, the Las Chispas site, and the communities in which we operate. The study was conducted in line with TCFD climate-scenario recommendations and assessed the potential financial impact of nine different climate hazards in terms of Value at Risk over different climate scenarios and time horizons, as well as general climate trends occurring in the region. The climate-change scenarios used in our models were:

- 1) A best-case scenario of less than 2 degrees Celsius rise as outlined by the Paris Agreement (RCP 2.6);
- 2) An intermediate-case scenario of less than 3 degrees Celsius rise (RCP 4.5) and;
- 3) A worst-case scenario of up to 6 degrees Celsius rise (RCP 8.5).

All of these were compared to the current climate conditions existing within our area.

Despite the significant rate of change outlined within the best-case scenario of climate change increasing by 2 degrees Celsius, we are planning for the worst physical effects of climate change by focusing on the RCP 8.5 scenario (up to 6°C warming) when exploring physical risks and opportunities.

The physical risk study concluded that there were three climate hazards that had the potential to impact our Las Chispas site and the surrounding community over its operational life span. These climate hazards are heat, flood and drought. Given that our TCFD study assumptions estimated the Las Chispas mine life currently at 10 years, we have considered the level of financial impact of the physical risks over the time horizons defined as medium-term (the first five years of the mine) and long-term (the second five years of the mine). The physical risks posed by these climate hazards, and their potential financial impacts towards SilverCrest and also the local community, together with the Company's mitigation strategies, are summarized Figure 2.

Physical Risks and Opportunities



Level of Potential Financial Impact: **L** Low **M** Medium **H** High

Type of Risk	Risk/Opportunity Description	Potential Financial Impact	Time Horizon		Mitigation/Realization Strategy
			Medium Term	Long Term	
ACUTE	Increasing severity of flooding	<p>Company Impact: Reduced revenue and increased costs from operational disruption due to road and infrastructure damage. Potential increased capital cost due to flood damage.</p> <p>Community Impact: Flash flooding could have the potential to damage crops on nearby farms and local infrastructure.</p>	L	M	<p>A crucial bridge was constructed across a flood-vulnerable river while considering flood-level height.</p> <p>Relocated key water-vulnerable assets (electronics and explosives) to identified flood resilient and higher-elevation areas on site.</p>
	Increasing severity of droughts	<p>Company Impact: Reduced water availability may impact costs and productivity. Increased competition for water in the area could lead to a collective decrease in water resilience for operations and the community.</p> <p>Community Impact: Reduced water availability will greatly impact the livelihood of the mainly agricultural communities surrounding our site.</p>	H		<p>The Company initiated a 5-year water stewardship program to improve the water infrastructure for the community, which will significantly increase water-usage efficiency and protect the economic and general health of the region.</p>
CHRONIC	Changing precipitation patterns leading to more frequent droughts and reduction in future water availability	<p>Company Impact: Less water could lead to dustier working conditions at the project resulting in higher costs from negative impacts and injury to employees.</p> <p>Community Impact: Changing precipitation patterns and less water in general will impact the productivity of the agriculture in the region which would, in turn, affect the livelihoods and survival of the local communities that rely on it.</p>	H		<p>Established a Water Management Policy to guide a holistic approach to water management.</p> <p>Ongoing engagement with local communities to determine needs and establish water infrastructure projects.</p>
	Increasing mean temperatures	<p>Company Impact: Reduced revenue and higher costs related to injury or reduced operational capacity from hotter working conditions for employees.</p> <p>Community Impact: Increasing mean temperatures will exacerbate drought conditions in the area, decreasing the community's water resilience.</p>	L	M	<p>Ensure employee safety by adhering to local and international labour laws.</p> <p>Identify extreme temperature days in advance and develop work schedules around such 'unworkable days'.</p>

Figure 2

Transition Risks and Opportunities

Transition risks are climate-related risks that arise as a result of the global transition towards a low-carbon economy, including the corresponding costs of making the necessary changes to mitigate the identified risks. These risks are typically broken down into the following categories: policy and legal, market, technology and reputation. Similar to our approach with physical risk, we took into consideration multiple climate scenarios.

Transition risks and opportunities are most significant for SilverCrest under the RCP 2.6 scenario. Our transition risk assessment, therefore, looked to identify key transition risks and opportunities within this best-case RCP 2.6 scenario. We also considered different time horizons and prioritized them based on the predicted materiality of their financial impacts. The key transition risks and opportunities identified, as well as mitigation/realization strategies are summarized in Figure 3.

Level of Potential Financial Impact:  Low  Medium  High





Type of Risk	Risk/Opportunity Description	Potential Financial Impact	Time Horizon			Mitigation/Realization Strategy
			Short Term	Medium Term	Long Term	
POLICY AND LEGAL	Increased pricing of GHG (Greenhouse Gas) emissions or carbon tax	Increased operating and production costs through gradually increasing carbon taxes and increased insurance premiums.				Offset emissions with new technology to reduce GHG emissions. Plan budget using internal carbon-pricing scenario analysis. Using lower-carbon power sources by building a power line to replace the proposed diesel generators originally considered within the initial economic study. Examine the potential to use battery-electric vehicles in our underground mining.
	Increased water tax or policy changes with stricter guidelines around water use	Reduction in margins due to higher costs. Increased costs as hurdle rate for new growth initiatives increase. Increased cost of capital with higher risk to growth. Policy changes impacting the ability to operate.				Have baseline studies and good documentation of water use. Implemented systems within the process plant to recycle and reuse water. Initiated a 5-year water stewardship plan for the community to significantly reduce their water usage through significant improvement in their infrastructure. Undertook steps to help the community receive water concessions which would enable them to potentially receive state and federal funding for water-infrastructure projects. Significant investment is required in stakeholder engagement with the community, state and federal water and agricultural agencies and politicians in order to collectively address the challenges and opportunities.

Figure 3

Transition Risks and Opportunities (continued)



Level of Potential Financial Impact: **L** Low **M** Medium **H** High

Type of Risk	Risk/Opportunity Description	Potential Financial Impact	Time Horizon			Mitigation/Realization Strategy
			Short Term	Medium Term	Long Term	
POLICY AND LEGAL	Exposure to climate-related litigation	Compensation and damage claims that would have to be settled and paid.		M		Ongoing vigilance in required practices and standards, planning to exceed requirements.
	Increased stringency of mine reclamation regulations	Greater costs associated with returning the site back to the specification of the nation, as well as higher reclamation standards.	L		H	Conduct scenario analysis of mine reclamation policy and incorporate findings into mine-closure plan.
	Increased permitting scrutiny	Increased time and costs to obtain licences and permits. Future plans for extraction may be slow or be denied despite initial investment into successful exploration phase. Permit risk to existing assets within the portfolio.		H		Regularly engage with our community to understand their concerns and to make positive changes above and beyond regulatory requirements when possible. Remain compliant with all existing regulations, even exceeding requirements. Communicate with state and federal agencies to potentially collaborate, where appropriate, on key projects to address the collective risks.
MARKET	Lenders and equity investors requiring more stringent ESG due diligence for establishing credit facilities and equity investments	Reduction of available debt and equity capital, which potentially constrains financial flexibility and increases the cost of capital required for efficient growth and risk management.	L		H	Create strong and credible ESG structures, processes and strategies that can be clearly communicated with all stakeholders to assist in accessing capital. Track, maintain and clearly disclose our ESG metrics to be able to track and communicate performance. Maintain a conservative and resilient balance sheet.

Figure 3 continued

Transition Risks and Opportunities (continued)



Level of Potential Financial Impact: **L** Low **M** Medium **H** High

Type of Risk	Risk/Opportunity Description	Potential Financial Impact	Time Horizon			Mitigation/Realization Strategy
			Short Term	Medium Term	Long Term	
MARKET	Increased demand for low-carbon emitting suppliers may lead to a lack of available companies meeting our ESG supplier parameters.	Increased cost of working with qualified and available suppliers, as well as increased wait times to access qualified suppliers' products and services, resulting in supply chain disruptions.	L	H	M	Work with the relevant associations to conduct thorough due diligence to identify the suppliers that meet our ESG parameters and proactively consider them during the procurement process. Engage with suppliers on their plans for climate-risk mitigation and monitor their public reputation.
	Market preference shifting towards low-carbon-intensity firms, resulting in unfavourable market valuations	Lower share price and increased business costs. Increased scrutiny and pressure from the investment community could impair our cost of capital and absolute costs (mitigation).	M	H		Regularly disclose ESG initiatives, activities, and performance, while also looking to actively improve ESG performance. Regularly engage and communicate with key stakeholders about ESG initiatives.
	Increased risk when evaluating growth opportunities	Not incorporating climate costs and how they could impact growth opportunities could lead to overpaying for assets, valuation impairment, increased costs and potentially the inability to access the natural resources in the future.		H		Include robust climate, water and broader ESG due diligence in our M&A and growth-opportunity evaluation process. In collaboration with the communities we engage, establish processes to evaluate solutions to potential future challenges, from the outset, in order to reduce risk.

Figure 3 continued

Transition Risks and Opportunities (continued)



Level of Potential Financial Impact: **L** Low **M** Medium **H** High

Type of Risk	Risk/Opportunity Description	Potential Financial Impact	Time Horizon			Mitigation/Realization Strategy
			Short Term	Medium Term	Long Term	
TECHNOLOGY	Transitioning to lower-carbon or more energy- and water-efficient technologies	Cost to access, purchase, operate and maintain new low-carbon technologies, as well as retraining personnel around these new technologies.				<p>Map out and analyze new technologies for climate risk reduction strategies.</p> <p>Participate in industry think tanks for potential solutions and examine alternative energy sources.</p> <p>Increase dialogue with investors to gauge the risks, benefits and best approaches of potentially prioritizing a transition strategy.</p>
		<p>New technology may be limited, high-cost or unreliable.</p> <p>Increased costs could impair our cost of capital for certain investors.</p>	M	L		
	Lower-emission or higher-efficiency equipment becomes available	<p>Reduced potential revenue of not switching to lower-emission or higher-efficiency equipment that would reduce operating costs.</p> <p>Availability, applicability and cost of new equipment might make transition prohibitive and increase the cost and risk of use.</p> <p>Cost increases could lead to a worsening cost of capital.</p>		L		<p>Together with key contractors, power agencies, and industry leaders, monitor trends and changes in technology in the mining industry and supply chain.</p>

Figure 3 continued

Transition Risks and Opportunities (continued)



Level of Potential Financial Impact: L Low M Medium H High

Type of Risk	Risk/Opportunity Description	Potential Financial Impact	Time Horizon			Mitigation/Realization Strategy
			Short Term	Medium Term	Long Term	
REPUTATION	Stigmatization of sector	Potential loss of social licence to operate, loss of government support, loss of human resources, talent with people moving away from the industry. Poor cost of capital.		M		Maintain regular stakeholder dialogue and corporate communications, not only on all the community initiatives we are doing, but also on the need for resources if the world is going to transition. Address the key detrimental factors contributing to that perception and look to improve.
	Climate- or water-related blockades	Loss in production revenue while carrying fixed costs, financial impairments and negative public relations.		H		Investment in community projects, such as implementation of a water stewardship plan. Facilitate ongoing dialogue with key stakeholders in the community. Engage and, when appropriate, partner with government authorities on key projects and initiatives. Establish clear channels for two-way communication.

Figure 3 continued

The findings from the climate-risk assessments point towards water as a vital ESG issue, which needs to be addressed and effectively managed to ensure the longevity, health and success of our community and business. The physical climate-risk assessment identified water scarcity to be the most important physical risk to SilverCrest, and a major challenge in the region, with droughts expected to increase in frequency and severity. The business impact of water variability on SilverCrest's operation has been identified to be lower than on the communities, ranchers and farmers which share and rely on the same vulnerable water supply for their livelihood and survival. Our transition risk assessment identified that the regulatory and reputational implications of poor water management could be detrimental to the Company, potentially resulting

in blockades, loss of social licences to operate and revocation of permits, all of which would cause serious financial impairment. Therefore, water will play an important role in SilverCrest's climate and wider ESG strategy moving forward.

As such, SilverCrest is committed to being a responsible water steward in the community, including meeting or surpassing regulatory requirements in its exploration, development, planned production and closure activities. We have already started to holistically manage water availability through the launch of several water infrastructure projects, community investment initiatives and stakeholder communication engagements, the details of which are available in our inaugural water stewardship report.

Transition Risks and Opportunities (continued)

In the first half of 2022, SilverCrest began the first phase of their 5-year water stewardship plan by starting repairs of the local sewage system and the main water source for the aqueduct as well as fixing of a portion of the aqueduct system itself. The aim is to fix and improve the sewage system in Arizpe, and to repair, replace and install 24 kilometres of aqueducts delivering water from the Sonora River to local farmers and ranchers. The projects are designed to improve water flow to the aqueduct system. Also included in these efforts is the work to enable the submission to the government of water concession applications, which would potentially allow for access to state and federal funding for infrastructure maintenance and investments in the community. Tests were conducted in 2021 and 2022 to better understand the demand of water in the local community. Additional testing will continue in 2022 and 2023, to test the usage in high- and low-water seasons. Overall, our water management initiatives aim to improve the water resilience of the local community and surrounding region.

To address the climate and water issue, SilverCrest has committed to community investment initiatives that support water stewardship in and around our Las Chispas mine. US\$1.5M over a five-year period has been budgeted for water

infrastructure projects that will benefit the community of which more than 25% was spent in 2022.

At a higher level, SilverCrest is focused on exploring ways to further integrate sustainability and climate-related risks and opportunities into our decision-making process, strategic planning, overall risk management, and capital allocation processes. We commit to allocating financial resources, as needed, and on an ongoing basis. We plan to implement mitigation measures to reduce the impacts of physical climate risks identified, but we are also regularly monitoring the changing climate-related regulatory, technological, market and reputational landscapes for new transition risks and opportunities. We believe that long-term value creation and business resilience will come from the global transition towards a low-carbon economy, despite the corresponding risks and costs, and, as such, will remain ready to explore and act on strategies to improve business resilience.



Metrics and Targets

We understand that the industry we operate in is energy- and resource-intensive by nature. As a result, we strive to optimize our operations, not only to minimize our impacts on the local ecosystem and community, but to improve them. We are in the process of setting up the systems to allow for the efficient tracking, monitoring and disclosure of our key ESG metrics that will allow us to work towards improving our environmental performance.

Based on the findings from the physical and transition risks assessments, we have identified the following climate risks to be most important to SilverCrest and the community in which we operate. In terms of physical risk, our Las Chispas site and surrounding area are expected to experience more severe droughts, making responsible water use and preservation top priorities. We also expect that, over the coming decade, increasing market and regulatory costs associated with continued use of processes that produce greenhouse gases (GHG), and increased water usage, will pose material transition risks and costs. These risks, if incorrectly measured and managed, will have a negative impact on our business. In response, SilverCrest is looking to proactively monitor and improve our GHG emissions and water metrics.

Metrics

Given that SilverCrest commenced production in May of 2022, management believes that it is important to enhance and strengthen our existing internal systems for collecting, managing, and disclosing environmental data, GHG and water metrics. This will not only allow these key metrics to be easily accessible once production begins, allowing the Company to measure, disclose and evaluate its performance, but it will also enable consistent year-on-year collection of this data.

During 2022, we have prioritized the collection and validation of all material water and GHG metrics. To date, we have collected our Scope 1 and 2 GHG emissions, as well as some of the relevant water metrics aligned with International Council on Mining and Metals (ICMM) water reporting framework. However, as the systems for collecting such environmental data are still nascent, we want to be especially certain that our data is valid before disclosing. As a result, we have engaged with a third-party technical consultant to audit the environmental data we have already collected, as well as to conduct a rigorous analysis of the internal data collection systems we have established for areas of improvement. This process is ongoing as of the publishing of this report and we expect to publish the environmental data in next year's disclosure.

As Las Chispas becomes fully operational, we expect the quality and quantity of our water usage data to improve, allowing us to track changes and set targets. The planned water infrastructure projects over the next five years should lead to more efficient water use and improved availability, not only for the mine operations, but also for the surrounding communities. Periodic disclosures on the progress will be communicated to all stakeholders.

Targets

Due to the early stage of operations, our current priority is to evaluate and improve our data collection processes, to enable us to appropriately evaluate our performance. Prior to setting future-looking targets, we plan to first establish a solid baseline year of GHG emissions and water metrics. We will continue to implement and refine our data-collection structures throughout 2022 such that we can look to set reduction targets for environmental data in future TCFD reports.

Appendix A: ESG Strategy Framework



Glossary

ERM	Enterprise Risk Management system
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas
ICMM	International Council on Mining and Metals
RCP	Representative Concentration Pathway
SESS	Safety, Environmental and Social Sustainability Committee
TCFD	Task Force for Climate-Related Financial Disclosures



Forward-Looking Statements

This document contains “forward-looking statements” and “forward-looking information” (collectively “forward-looking statements”) within the meaning of applicable Canadian and United States securities legislation. These include, without limitation, statements with respect to the timing, costs and completion of the Company’s ESG projects between 2023 and 2026. Such forward-looking statements or information are based on a number of assumptions, which may prove to be incorrect. Assumptions have been made regarding, among other things: the conditions in general economic and financial markets; availability of skilled labour; timing and amount of expenditures related to the ESG programs; and effects of regulation by governmental agencies. The actual results could differ materially from those anticipated in these forward-looking statements as a result of risk factors including: uncertainty as to the impact and the timing and content of work programs; environmental and other regulatory risks; project cost overruns or unanticipated costs and expenses; and general market and industry conditions. Forward-looking statements are based on the expectations and opinions of the Company’s management on the date the statements are made. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. The Company undertakes no obligation to update or revise any forward-looking statements included in this document if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.





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